

HB 53 -- MISSOURI LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION
ACT

SPONSOR: Gatschenberger

COMMITTEE ACTION: Voted "Do Pass by Consent" by the Committee on Insurance Policy by a vote of 8 to 0.

This bill changes the laws regarding insurance coverage under the Missouri Life and Health Insurance Guaranty Association Act which protects policyholders against a breach of contract by impairment or insolvency of the policy insurer.

Currently, a covered claim does not include any amount that constitutes a claim under a policy issued by an insolvent insurer with a deductible or self-insured retention of \$300,000 or more. The bill specifies an exception in the case of a claim for benefits under workers' compensation coverage.

The bill increases the maximum amount that a member of the association can be assessed in any year on any account from 1% to 2% of that member insurer's net direct written premiums for the preceding calendar year on the kinds of insurance in the account.

Currently, the board of directors of the association must consist of seven persons serving terms as established in the plan of operation. The bill changes the number of members to not fewer than seven nor more than nine persons. Currently, a vacancy on the board is to be filled for the remaining period of the term by appointment of the association's director. The bill specifies that a vacancy is to be filled by a majority vote of the remaining board members subject to the approval of the director.

The benefits for which the association can be liable with regard to a member insurer that was first placed under an order of rehabilitation or under an order of liquidation if no order of rehabilitation was entered prior to August 28, 2013, cannot exceed the lesser of the value of the contractual obligation or with respect to any one life, regardless of the number of policies or contracts:

- (a) \$300,000 in life insurance death benefits, but not more than \$100,000 in net cash surrender and cash withdrawal values;
- (b) \$100,000 in health insurance benefits including any net cash surrender and cash withdrawal values; or
- (c) \$100,000 in the present value of annuity benefits including net cash surrender and cash withdrawal values.

The benefits for which the association can be liable with regard to a member insurer that was first placed under an order of rehabilitation or an order of liquidation if no order of rehabilitation was entered on or after August 28, 2013, cannot exceed the lesser of the value of the contractual obligation or with respect to any one life, regardless of the number of policies or contracts:

- (a) \$300,000 in life insurance death benefits, but not more than \$100,000 in net cash surrender and cash withdrawal values;
- (b) \$100,000 in health insurance benefits, excluding disability; hospital, medical, and surgical; major-medical; or long-term care insurance, including any net cash surrender and cash withdrawal values;
- (c) \$300,000 in disability benefits and \$300,000 in long-term care benefits;
- (d) \$500,000 in hospital, medical, and surgical or major-medical benefits;
- (e) \$250,000 in the present value of annuity benefits, including net cash surrender and cash withdrawal values; or
- (f) \$250,000 to each payee of a structured settlement annuity or, if deceased, the beneficiary of the payee including net cash surrender and cash withdrawal values.

The association cannot be obligated to cover more than:

- (1) \$300,000 in benefits with respect to any one life covered by a policy aggregate liability, except for hospital, medical, and surgical or major-medical benefits where the total cannot exceed \$500,000 to any one individual; or
- (2) \$5 million in benefits for a policy owner of multiple non-group life insurance policies regardless of the number of policies and contracts held by the owner.

PROPONENTS: Supporters say that the bill updates consumer protections in cases where an insurer becomes insolvent. The bill increases the amount of coverage provided by the pool of insurers known as the Guarantee Association. Similar legislation has been adopted in most states.

Testifying for the bill were Representative Gatschenberger; David Monaghan, American Family Insurance; Missouri Insurance Coalition;

and Charles Wren, Director of the Guarantee Association.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that it could help insure against major insolvencies.

Testifying on the bill was Missouri Department of Insurance.